



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 12, 2004

H.R. 5121

A bill to further protect the United States aviation system from terrorist attacks

*As ordered reported by the House Committee on Transportation and Infrastructure
on September 29, 2004*

SUMMARY

H.R. 5121 would authorize funding for aviation security programs administered by the Department of Homeland Security (DHS). CBO estimates that enacting H.R. 5121 would increase direct spending by \$298 million in 2005 and about \$4.1 billion over the next 10 years. Assuming appropriation of the necessary amounts, we also estimate that implementing H.R. 5121 would add \$212 million in 2005 and almost \$4.5 billion to discretionary spending over the next five years. Those amounts assume that future appropriations to pay salaries and expenses of baggage screeners would be reduced following installation of new baggage screening equipment at airports. Enacting the bill also could increase revenues, but we estimate that any such increase would not exceed \$500,000 a year.

H.R. 5121 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would require all armed law enforcement officers, including state, local, and tribal personnel, to identify themselves with a special, standardized credential when traveling on aircraft. CBO estimates that the costs to law enforcement agencies would be minimal and thus would not exceed the threshold established by UMRA (\$60 million in 2004, adjusted annually for inflation).

H.R. 5121 contains no new private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For this estimate, CBO assumes that H.R. 5121 will be enacted before the end of calendar year 2004 and that the necessary funding will be provided near the start of each fiscal year. The estimated budgetary impact of H.R. 5121 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	2,280	1,700	100	0	0
Estimated Outlays	298	346	433	675	578
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	497	4,493	340	-410	-540
Estimated Outlays	212	3,789	988	-8	-521

BASIS OF ESTIMATE

CBO estimates that H.R. 5121 would increase direct spending by \$298 million in 2005, \$2.3 billion over the 2005-2009 period, and \$4.1 billion over the next 10 years. Assuming appropriation of the specified and estimated amounts, CBO also estimates that implementing H.R. 5121 would cost \$212 million in 2005 and almost \$4.5 billion over the 2005-2009 period. The bill could increase revenues, but we estimate that any such effects would not exceed \$500,000 a year.

Direct Spending

H.R. 5121 would authorize DHS to enter into contracts with airports to provide in-line electronic explosive-detection systems to screen checked baggage. These systems allow checked baggage to be screened within an airport's baggage conveyor system. The system eliminates the need to transport baggage from the conveyor system to a screening check point.

Because DHS could use the authority in this legislation to commit the government to acquire special equipment to perform its job, CBO considers this bill as the source of the necessary budget authority to enter into those contracts. The bill also would authorize the collection and spending of fees to improve airport security and to enhance efforts to detect explosives at airport screening checkpoints. The estimated cost of those provisions is shown in the following table, and our estimates are described below.

By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN DIRECT SPENDING										
Electronic Explosive-Detection Systems										
Estimated Budget Authority	2,000	1,700	100	0	0	0	0	0	0	0
Estimated Outlays	250	460	460	480	480	480	480	480	230	10
Improvements in Airport Security and Explosive Detection										
Budget Authority	280	280	250	0	0	0	0	0	0	0
Estimated Outlays	48	166	223	195	98	50	23	7	0	0
Offsetting Receipts										
Budget Authority	0	-280	-250	0	0	0	0	0	0	0
Estimated Outlays	0	-280	-250	0	0	0	0	0	0	0
Net Spending										
Budget Authority	280	0	0	0	0	0	0	0	0	0
Estimated Outlays	48	-114	-27	195	98	50	23	7	0	0
Total Changes										
Estimated Budget Authority	2,280	1,700	100	0	0	0	0	0	0	0
Estimated Outlays	298	346	433	675	578	530	503	487	230	10

Electronic Explosive-Detection Systems. H.R. 5121 would direct DHS to establish a program to enter into contracts with airport operators or other nonfederal entities to install in-line electronic explosive-detection systems to screen checked baggage. Under the bill, contracts could include any cost associated with the use of such systems, including acquisition, financing, maintenance, management, and other related costs. The authority under the bill to enter into such contracts would provide DHS with the means to acquire capital equipment to perform an inherently governmental function—baggage screening—mandated by law. Under H.R. 5121, DHS would be authorized to obligate the federal government to make payments under such contracts regardless of whether appropriations are provided in advance for that purpose. Thus, we expect that the full cost of the federal government’s obligations under such contracts would be recorded in the budget as new direct spending in the years when commitments are made, consistent with federal guidelines for accounting for such commitments.

Based on information from DHS and several airports about the cost to install in-line electronic explosive-detection systems, CBO estimates that this provision would require new budget authority of about \$2 billion in 2005 and \$3.8 billion over the next three years. That estimate assumes DHS would enter into contracts to reimburse about 50 airports for the costs

to install those systems. We expect that, in the first year of the program, DHS would give priority to larger airports considered to face greater security risks and expand the program to include smaller airports in the second and third years. Assuming that contracts would be designed to reimburse those airports over several years, CBO estimates that payments under those contracts would total \$250 million in 2005, \$2.3 billion over the 2005-2009 period, and \$4.1 billion over the next 10 years.

Because the new systems would increase airports' efficiency in screening baggage, this provision could reduce the need for screening personnel in the future. Hence, this provision could reduce the need for future appropriations to pay the salaries and expenses of such personnel once the new systems are installed. Any resulting change in federal spending for screening activities would be subject to appropriation (see discussion below).

Improvements in Airport Security and Explosive Detection. H.R. 5121 would provide \$250 million a year over the 2005-2007 period for grants to airports to improve security facilities and \$30 million in each of fiscal years 2005 and 2006 for efforts to detect explosives at security checkpoints in airports. To offset the cost of those programs, H.R. 5121 would authorize DHS to collect fees from airline passengers.

The Transportation Security Administration (TSA) within DHS already collects a \$2.50 security fee from airline passengers each time they board an aircraft (with a maximum of \$5.00 per one-way trip). Under current law, such fees may be collected only to the extent provided for in advance in appropriations acts, and income from those fees is recorded as an offset to appropriated spending.

H.R. 5121 would require TSA to collect up to \$280 million a year in 2005 and 2006 and up to \$250 million in 2007 from passengers without further appropriation action. Because the 2005 appropriation act for the Department of Homeland Security (Public Law 108-334) already authorizes TSA to collect those fees in 2005, they would not be available to offset the cost of new direct spending in that year, but we estimate that the agency would collect the required amounts in 2006 and 2007 to finance new activities under H.R. 5121. To the extent that such fees are used for those activities, they would not be available to reduce the net cost of TSA's appropriation in 2006 and 2007.

Based on historical spending patterns for similar activities, CBO estimates that H.R. 5121 would increase direct spending by \$48 million in 2005 and \$280 million over the next 10 years. We also estimate that using some of the passenger security fees expected to be collected in 2006 and 2007 for these new programs would increase the net cost of implementing TSA appropriations in 2006 and 2007 as described below.

Spending Subject to Appropriation

CBO estimates that H.R. 5121 would authorize a net increase in appropriations of almost \$4.4 billion over the 2005-2009 period to DHS for programs related to aviation security. Most of that amount would be authorized to be appropriated in 2006 for ongoing programs administered by TSA and for federal air marshals. The estimate reflects anticipated savings over the next five years from installing in-line electronic explosive detection equipment as authorized by the bill. We estimate that the bill would authorize additional amounts for explosive-detection systems at airport checkpoints, projects to improve airport security, efforts to increase the use of biometric technology in aviation security, and various other activities. The estimated costs of those provisions are described below and summarized in the following table.

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Funding for TSA and Federal Air Marshals					
Estimated Authorization Level	0	3,983	0	0	0
Estimated Outlays	0	3,386	597	0	0
Change in Passenger Security Fees Credited to Appropriations					
Estimated Authorization Level	0	280	250	0	0
Estimated Outlays	0	238	255	38	0
Reduced Need for Baggage Screeners					
Estimated Authorization Level	0	-100	-240	-410	-540
Estimated Outlays	0	-85	-219	-385	-521
Explosive-Detection Systems					
Estimated Authorization Level	330	330	330	0	0
Estimated Outlays	110	220	330	330	0
Projects to Improve Airport Security					
Authorization Level	95	0	0	0	0
Estimated Outlays	30	30	25	10	0
Increased use of Biometric Technology					
Estimated Authorization Level	40	0	0	0	0
Estimated Outlays	40	0	0	0	0
Other Activities					
Estimated Authorization Level	32	0	0	0	0
Estimated Outlays	32	0	0	0	0
Total Changes					
Estimated Authorization Level	497	4,493	340	-410	-540
Estimated Outlays	212	3,789	988	-8	-521

Funding for TSA and Federal Air Marshals. H.R. 5121 would authorize the appropriation of necessary sums in fiscal year 2006 for TSA's existing aviation security programs and for federal air marshals. (For fiscal year 2005, the Department of Homeland Security 2005 appropriation act—Public Law 108-334—provided a net appropriation of about \$3.9 billion for those programs.) Based on information from DHS, CBO estimates that continuing those programs under current law would require a net appropriation of about \$4 billion in 2006. That estimate is net of almost \$2 billion in offsetting collections from passenger and air-carrier fees that we assume TSA will collect in 2006 to partly offset the cost of aviation security programs in that year.

Change in Passenger Security Fees Credited to Appropriations. CBO estimates that the net 2006 and 2007 appropriations for the TSA would be higher under H.R. 5121 because it would require TSA to collect passenger security fees of up to \$280 million in 2006 and \$250 million in 2007 to offset the cost of new direct spending authority provided under the bill—essentially reclassifying those discretionary offsetting collections as mandatory offsetting receipts (see the discussion of direct spending). Because fewer security fees would be available to offset the cost of TSA's existing programs, we estimate that the net TSA appropriation would increase in 2006 and 2007. Hence, compared to current law, CBO estimates that fully funding TSA's existing aviation security programs and federal air marshals would increase net spending subject to appropriation by \$530 million over the 2006-2009 period. This is equivalent to the amount of passenger security fees that would be collected and spent without further appropriation in the new airport security and explosive-detection initiatives that would be authorized by the bill.

Reduced Need for Baggage Screeners. Authorizing DHS to enter into contracts to install in-line electronic explosive-detection systems at airports would increase TSA's efficiency in screening baggage, thus reducing the need for screening personnel in the future. Any resulting decrease in federal spending for such personnel would depend on amounts appropriated to the TSA in future years.

For fiscal year 2005, TSA received roughly \$2.4 billion for salaries and expenses of screening personnel. CBO estimates that at least half of that amount will support screeners at airports where we expect in-line systems to be installed under H.R. 5121. Based on information from TSA, CBO assumes that, once the new systems are in place, they would reduce the need for screening personnel at affected airports by between 25 percent and 30 percent. Based on the experience of an airport that already has installed an in-line system, CBO expects most of the new systems would become fully operational two to three years after DHS contracts to install them. Consequently, we estimate that the cost of screeners' salaries and expenses would fall gradually over the next several years, with savings totaling \$1.3 billion over the 2006-2009 period. Assuming appropriations for TSA in those years would be reduced accordingly, CBO estimates that outlays would fall by roughly \$1.2 billion

over that same period, including a reduction in screeners' salaries and expenses by roughly \$500 million a year starting in 2009.

Explosive-Detection Systems. H.R. 5121 would direct DHS to develop a strategy to optimize the use of explosive-detection systems at airports for screening passengers and carry-on luggage. Based on information from TSA, CBO estimates that the agency would need \$330 million a year over the 2005-2007 period to develop, test, improve, and deploy new equipment. Assuming appropriation of the necessary amounts, we estimate that spending under this provision would total \$110 million in 2005 and \$990 million over the 2005-2008 period.

Projects to Improve Airport Security. H.R. 5121 would authorize the appropriation of an additional \$95 million in 2005 for TSA to provide grants to airport sponsors to support projects to improve security. Under current law, airport sponsors could use those funds for improvements to baggage conveyer systems and terminal baggage areas, projects to facilitate the installation of in-line explosive-detection systems, and other security-related improvements. In addition, H.R. 5121 would authorize airport sponsors to use federal grants for security improvements that use biometric technology. Based on spending patterns for TSA's existing grant programs and assuming appropriation of the specified amount, CBO estimates that this provision would cost \$30 million in 2005 and \$95 million over the 2005-2008 period.

Increased Use of Biometric Technology. H.R. 5121 would direct DHS to develop standards and guidelines for the use of biometric technology in securing access to airports. The bill also would require the department to establish a credential for traveling law enforcement officers that uses biometric technology to verify the identity of those individuals. Based on information from TSA about similar technology development programs, CBO estimates that this provision would cost \$40 million in 2005.

Other Activities. Based on information from TSA, CBO estimates that implementing other provisions of H.R. 5121 would cost \$32 million in 2005, assuming the availability of appropriated funds. That amount includes \$25 million for a pilot program to test new checkpoint screening technology at five or more airports, \$5 million for a program to provide in-flight counterterrorism training to law enforcement officers, and \$2 million to evaluate the effectiveness of using blast-resistant containers for cargo and baggage to minimize the potential impact of explosions on passenger aircraft. Finally, we estimate that the federal government would spend a total of less than \$500,000 for various studies and reports required under H.R. 5121.

Revenues

H.R. 5121 would establish a new civil penalty that could be charged to pilots who fail to secure cockpit doors. Based on information about the relatively small number of incidents anticipated, CBO estimates that any new penalties collected under H.R. 5121, which would be recorded as revenues, would not exceed \$500,000 in any year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5121 contains an intergovernmental mandate as defined in UMRA because it would require all armed law enforcement officers, including state, local, and tribal personnel, to identify themselves with a special, standardized credential when traveling on aircraft. Because TSA would create and issue the credential, CBO assumes that state, local, and tribal governments would face only incidental costs to apply for such credentials. CBO estimates that those costs would be minimal and thus would not exceed the threshold established by UMRA (\$60 million in 2004, adjusted annually for inflation).

Other provisions in the bill would create grants and incentives for airport operators to use certain security technologies. Local governments and airport authorities would comply with any requirements as conditions of receiving that federal assistance.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 5121 contains no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATES

On October 4, 2004, CBO transmitted cost estimates for H.R. 10, the 9/11 Recommendations Implementation Act, as ordered reported by the House Permanent Select Committee on Intelligence on September 29, 2004, and as ordered reported by the House Committee on Armed Services on September 29, 2004. On October 5, 2004, CBO transmitted cost estimates for H.R. 10 as reported by the House Committee on Financial Services on October 5, 2004, as ordered reported by the House Committee on Government Reform on September 29, 2004, and as ordered reported by the House Committee on the Judiciary on September 29, 2004. Each of those bills contains provisions related to aviation security that are substantively similar to provisions in H.R. 5121.

Our estimate of direct spending under H.R. 5121 is greater than under aviation security provisions in H.R. 10 primarily because H.R. 5121 would allow DHS to enter into contracts to provide for the widespread use of in-line electronic explosive-detection systems at airports.

There are two key differences between our estimates of spending subject to appropriation under H.R. 5121 and under the various versions of H.R. 10. First, because we assume that the use of in-line electronic explosive-detection systems would reduce the need for future appropriations for personnel to screen baggage at airports, our estimate of federal spending for such personnel is less under H.R. 5121. Second, because H.R. 5121 would reclassify from discretionary to mandatory a portion of TSA fees that CBO assumes would otherwise be available to offset the agency's appropriated spending for existing aviation security programs, we estimate that implementing those discretionary programs would cost more under H.R. 5121 than under the various versions of H.R. 10.

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